PEAK TO PEAK CHARTER SCHOOLS, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2018

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Peak to Peak Charter Schools, Inc.
Lafayette, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Peak to Peak Charter Schools, Inc., a component unit of Boulder Valley School District, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Peak to Peak Charter Schools, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of Peak to Peak Charter Schools, Inc. as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

For the year ended June 30, 2018, Peak to Peak Charter Schools, Inc. adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* As a result of the implementation of GASB Statement No. 75, as described in Notes 9 and 10 to the financial statements, Peak to Peak Charter Schools, Inc. reported a restatement for the change in accounting principle. Our opinions are not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the GASB required pension and OPEB schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Peak to Peak Charter Schools, Inc.'s basic financial statements. The schedule of revenues, expenditures and changes in fund balances – budget to actual – Food Services Fund (collectively the supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
October 5, 2018

As management of Peak to Peak Charter Schools, Inc. (Peak to Peak), we offer this narrative and analysis of the financial activities of Peak to Peak for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

Financial Highlights

The year ended June 30, 2018 is the 18th year of operations for Peak to Peak.

- The fund balance in the general fund increased $113,209 to $4,064,582.
- Total unrestricted cash and investments decreased $58,128 to $5,230,976.
- Peak to Peak's net position decreased $9,081,664.

Overview of Financial Statements

This report follows the guidelines set forth by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* This rule was intended to help make reports easier to understand for oversight bodies, in particular the Boulder Valley School District, which authorizes Peak to Peak, and the general public. The report consists of four parts: Management's Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information and Supplementary Information. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements which provide additional and more detailed information. Included as Required Supplementary Information and Supplementary Information is budget-to-actual information related to the Peak to Peak's General Fund, Friends of Peak To Peak, Inc. Fund, Operations and Maintenance Fund and Food Services Fund, and the pension and OPEB schedules as required under GASB Statement No. 68 and 75, further discussed in Notes 8, 9 and 10.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Peak to Peak's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all Peak to Peak's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Peak to Peak is improving or deteriorating.

The *statement of activities* presents information showing how Peak to Peak net position has changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end). The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Peak to Peak uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Peak to Peak reports four major governmental funds: the general fund, Prairie View, Inc. fund (building corporation), the Friends of Peak to Peak, Inc. fund (fundraising organization), and the operations and maintenance fund; and one nonmajor fund, the food service fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating Peak to Peak's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 of this report.

PEAK TO PEAK CHARTER SCHOOL
Comparative Summary Statement of Net Position

	June 30, 2018	June 30, 2017*
ASSETS		
Current Assets	$ 9,324,747	$ 9,296,225
Capital Assets	26,789,554	26,324,722
Total Assets	36,114,301	35,620,947
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Refunding	3,043,045	3,233,235
Related to Pension	15,934,499	18,655,865
Related to OPEB	71,031	-
Total Deferred Outflows of Resources	19,048,575	21,889,100
LIABILITIES		
Current Liabilities	1,321,392	1,263,416
Noncurrent Liabilities	17,248,803	17,951,511
Net Pension Liability	52,210,331	46,721,084
Net OPEB Liability	1,189,758	-
Total Liabilities	71,970,284	65,936,011
DEFERRED INFLOWS OF RESOURCES		
Related to Pension	2,134,946	335,648
Related to OPEB	19,904	-
Total Deferred Inflows of Resources	2,154,850	335,648
NET POSITION		
Net Investment in Capital Assets	12,659,243	11,680,641
Restricted	4,326,847	4,423,092
Unrestricted	(35,948,348)	(24,865,345)
Total Net Position	$ (18,962,258)	$ (8,761,612)

*The School was unable to reflect the other postemployment benefit liability back to the beginning of fiscal year 2017 based on that information not being available.

PEAK TO PEAK CHARTER SCHOOL
Comparative Schedule of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30,	
	2018	2017*
PROGRAM REVENUES		
Charges for Services	$ 1,818,512	$ 1,640,267
Operating Grants	420,973	426,836
Capital Grants	373,171	392,274
GENERAL REVENUES		
Per Pupil Funding	10,712,866	10,385,493
District Mill Levy	4,204,481	3,752,390
Other Revenue	638,779	836,335
Total Revenues	18,168,782	17,433,595
EXPENSES		
Instruction	15,754,022	13,198,071
Support Services	10,604,344	10,171,120
Interest on Long-Term Debt	892,080	912,519
Total Expenses	27,250,446	24,281,710
CHANGE IN NET POSITION	(9,081,664)	(6,848,115)
Net Position - Beginning of Year (as restated)	(9,880,594)	(1,913,497)
NET POSITION - END OF YEAR	$ (18,962,258)	$ (8,761,612)

*The School was unable to reflect the other postemployment benefit liability back to the beginning of fiscal year 2017 based on that information not being available.

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of Peak to Peak's financial position. Current assets increased based on revenues exceeding expenditures at the fund level. The net pension liability and associated deferred outflows of resources and inflows of resources fluctuates based on the financial position of the Public Employee's Retirement Association of Colorado (PERA). The School is required to report its proportionate share of PERA's unfunded pension liability. For the year ended June 30, 2018, Peak to Peak's assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by $18,962,258, primarily due to the net pension liability of $52,210,331 (see Note 8). For the year ended June 30, 2018, Peak to Peak implemented GASB Statement No. 75 which resulted in a net OPEB liability of $1,189,758. See Notes 9 and 10 for additional information. The overall net position in fiscal year 2018 decreased by $9,081,664 from the previous year.

Financial Analysis of the School's Funds

The focus of Peak to Peak's governmental funds is to provide information on near-term inflows, outflows, and balances of resources. Such information is useful in assessing Peak to Peak's financing requirements.

Financial Analysis of the School's Funds (Continued)

For the year ended June 30, 2018, Peak to Peak's governmental funds reported a combined ending fund balance of $8,289,649, an overall decrease of $36,654. The general fund increased $113,209 to $4,064,582. The Prairie View, Inc. fund increased $32,106 to $2,714,900. The Friends of Peak to Peak, Inc. fund increased $25,783 to $1,455,695, after the transfer of donated funds to Peak to Peak for operating expenditures. The operations and maintenance fund had a decrease of $207,751 due to capital outlay and ending fund balance of $29,274. The nonmajor food services fund decreased $1 to $25,198.

General Fund Budgetary Highlights

Peak to Peak's budgeted general fund revenue for 2017-18 was $15,912,585, while actual revenue was $16,208,474, resulting in a surplus of $295,889 (not including transfers). Peak to Peak's 2017-18 budget for general fund expenditures was $16,715,521, while actual expenditures were $16,446,111, resulting in a surplus of $269,410 (not including transfers). There was a net increase in fund balance of $113,209, with a final fund balance of $4,064,582.

Capital Asset and Debt Administration

Capital Assets. Peak to Peak's capital assets as of June 30, 2018, amounted to $26,789,554, net of accumulated depreciation. Peak to Peak's capital assets include 35 acres of land and 180,000 square feet of building space located at 800 Merlin Drive, Lafayette, Colorado. Additional information on the School's capital assets can be found in Note 3 of this report.

Long-Term Debt. As of June 30, 2018, Peak to Peak had outstanding debt of $16,150,000, which is a decrease of $640,000 from the previous year. Long-term debt is detailed in Note 4 to the financial statements. The school currently holds a "BBB+" credit rating with Standard and Poor's.

Economic Factors and Next Year's Budget

Peak to Peak's student enrollment for the 2017-18 school year was 1,414.8 full-time equivalent (FTE) students. The maximum enrollment allowed by Peak to Peak's contract with Boulder Valley School District is 1,414.8 FTE students. Peak to Peak's enrollment has been near the maximum allowable, per contract, for several years. State funding is again expected to increase for the 2018-19 school year. The School is anticipating stable enrollment, increased salary, and benefit costs along with other support service costs. All will impact 2019 fiscal plans and operations. The initial budget projects a surplus for the 2018-19 fiscal year.

Requests for Information

The financial report is designed to provide a general overview of Peak to Peak's finances for all those with an interest in Peak to Peak. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Sam Todd, Executive Director of Operations
Peak to Peak Charter School
800 Merlin Drive
Lafayette, CO 80026
sam.todd@bvsd.org

PEAK TO PEAK CHARTER SCHOOLS, INC.
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash	$ 5,230,976
Restricted Cash and Investments	4,081,096
Prepaid Items	9,812
Accounts Receivable	2,863
Capital Assets, Not Being Depreciated	2,429,194
Capital Assets, Depreciated, Net of Accumulated Depreciation	24,360,360
Total Assets	36,114,301
DEFERRED OUTFLOWS OF RESOURCES	
Loss on Refunding	3,043,045
Related to Pension	15,934,499
Related to OPEB	71,031
Total Deferred Outflows of Resources	19,048,575
LIABILITIES	
Accounts Payable	100,688
Accrued Salaries and Benefits	878,812
Unearned Revenues	55,598
Accrued Interest	286,294
Noncurrent Liabilities:	
Due Within One Year	657,778
Due in More Than One Year	16,591,025
Net Pension Liability	52,210,331
Net OPEB Liability	1,189,758
Total Liabilities	71,970,284
DEFERRED INFLOWS OF RESOURCES	
Related to Pension	2,134,946
Related to OPEB	19,904
Total Deferred Inflows of Resources	2,154,850
NET POSITION	
Net Investment in Capital Assets	12,659,243
Restricted:	
Advanced Placement Testing	10,128
Scholarships	1,356,068
Emergencies	524,030
Debt Service	2,177,181
Repair and Maintenance	259,440
Unrestricted	(35,948,348)
Total Net Position	$ (18,962,258)

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Instructional	$ 15,754,022	$ 777,640	$ 332,857	$ -	$ (14,643,525)
Support Services:					
General Administration	7,912,002	1,040,872	88,116	-	(6,783,014)
Maintenance and Operations	1,873,181	-	-	373,171	(1,500,010)
Other Supporting Services	819,160	-	-	-	(819,160)
Interest on Long-Term Debt	892,080	-	-	-	(892,080)
Total Governmental Activities	$ 27,250,446	$ 1,818,512	$ 420,973	$ 373,171	(24,637,790)
GENERAL REVENUES					
Per Pupil Revenue					10,712,866
District Mill Levy					4,204,481
Other					638,779
Total General Revenues					15,556,126
CHANGE IN NET POSITION					(9,081,664)
Net Position - Beginning of Year (as Restated)					(9,880,594)
NET POSITION - END OF YEAR					$ (18,962,258)

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Prairie View, Inc.	Friends of Peak to Peak, Inc.	Operations and Maintenance	Nonmajor Fund Food Services	Total
ASSETS						
Cash and Investments	$ 5,035,733	$ -	$ 89,499	$ 71,924	$ 33,820	$ 5,230,976
Restricted Cash and Investments	-	2,714,900	1,366,196	-	-	4,081,096
Prepaid Items	7,808	-	-	-	2,004	9,812
Accounts Receivable	2,863	-	-	-	-	2,863
Total Assets	$ 5,046,404	$ 2,714,900	$ 1,455,695	$ 71,924	$ 35,824	$ 9,324,747
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	$ 58,025	$ -	$ -	$ 42,650	$ 13	$ 100,688
Accrued Salaries and Benefits	868,199	-	-	-	10,613	878,812
Unearned Revenues	55,598	-	-	-	-	55,598
Total Liabilities	981,822	-	-	42,650	10,626	1,035,098
Fund Balances:						
Nonspendable	7,808	-	-	-	2,004	9,812
Restricted	502,772	2,714,900	1,366,196	29,274	-	4,613,142
Committed	-	-	44,281	-	-	44,281
Assigned	-	-	45,218	-	23,194	68,412
Unassigned	3,554,002	-	-	-	-	3,554,002
Total Fund Balances	4,064,582	2,714,900	1,455,695	29,274	25,198	8,289,649
Total Liabilities and Fund Balances	$ 5,046,404	$ 2,714,900	$ 1,455,695	$ 71,924	$ 35,824	$ 9,324,747

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:		
Total Fund Balance - Governmental Funds		$ 8,289,649
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		26,789,554
Deferred Loss on Refunding, Net of Accumulated Amortization		3,043,045
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Accrued Interest	(286,294)	
Bonds Payable	(16,150,000)	
Bond Premium, Net of Accumulated Amortization	(1,023,356)	
Compensated Absences	(75,447)	
Net Pension Liability	(52,210,331)	
Net OPEB Liability	(1,189,758)	(70,935,186)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Related to Pension		15,934,499
Related to OPEB		71,031
Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Related to Pension		(2,134,946)
Related to OPEB		(19,904)
Total Net Position		$ (18,962,258)

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Fund	Prairie View, Inc.	Friends of Peak to Peak, Inc.	Operations and Maintenance	Nonmajor Fund: Food Services	Total
REVENUES						
Per Pupil Funding	$ 10,712,866	$ -	$ -	$ -	$ -	$ 10,712,866
District Mill Levy	3,366,052	-	-	838,429	-	4,204,481
Rental Income	-	1,417,633	-	-	-	1,417,633
Intergovernmental:						
State Sources	706,028	-	-	-	3,780	709,808
Federal Sources	-	-	-	-	84,336	84,336
Donations	-	-	482,619	-	-	482,619
Other Income	1,375,328	-	-	-	443,184	1,818,512
Investment Income	48,200	27,523	80,437	-	-	156,160
Total Revenues	16,208,474	1,445,156	563,056	838,429	531,300	19,586,415
EXPENDITURES						
Current:						
Instruction	9,253,424	-	-	-	-	9,253,424
Support Services:						
General Administration	4,116,939	-	-	-	552,678	4,669,617
Rent Expense	1,417,633	-	-	-	-	1,417,633
Maintenance and Operations	546,920	-	-	592,092	-	1,139,012
Other Supporting Services	333,051	-	165,050	-	-	498,101
Capital Outlay	778,144	-	-	454,088	-	1,232,232
Debt Service:						
Principal	-	640,000	-	-	-	640,000
Interest	-	773,050	-	-	-	773,050
Total Expenditures	16,446,111	1,413,050	165,050	1,046,180	552,678	19,623,069
OTHER FINANCING SOURCES (USES)						
Transfers In	372,223	-	-	-	21,377	393,600
Transfers Out	(21,377)	-	(372,223)	-	-	(393,600)
Total Other Financing Sources (Uses)	350,846	-	(372,223)	-	21,377	-
NET CHANGE IN FUND BALANCE	113,209	32,106	25,783	(207,751)	(1)	(36,654)
Fund Balance - Beginning of Year	3,951,373	2,682,794	1,429,912	237,025	25,199	8,326,303
FUND BALANCE - END OF YEAR	$ 4,064,582	$ 2,714,900	$ 1,455,695	$ 29,274	$ 25,198	$ 8,289,649

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:		
Net Change in Fund Balance - Governmental Fund		$ (36,654)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlay		1,232,232
Depreciation Expense		(767,400)
Repayments of debt principal are expenditures in the governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.		
Principal Payments		640,000
Interest is paid when due in the governmental funds but recorded when payable in the statement of activities.		7,200
Governmental funds report the effect of premiums and loss on refundings when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Premium Amortization	63,960	
Loss on Refunding Amortization	(190,190)	(126,230)
Total		
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:		
Change in Accrued Compensated Absences	(1,252)	
Pension Expense	(10,009,911)	
OPEB Expense	(19,649)	(10,030,812)
Change in Net Position		$ (9,081,664)

See accompanying Notes to Basic Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Peak to Peak Charter Schools, Inc. (the School) conform to accounting principles generally accepted in the Unites States of America. The following is a summary of the School's significant accounting policies:

Reporting Entity

The School is a charter school organized under the Colorado Charter Schools Act (Colorado Revised Statutes §22-30.5-101). This Act permits school districts to contract with individuals and organizations for the operation of schools within Boulder Valley School District RE-2 (the District). The statutes define these contracted schools as "charter schools". Charter schools are financed from a portion of the school district's School Finance Act revenues and from revenues generated by the charter school within limits established by the Charter School Act. Charter schools have separate governing boards; however, the School District's Board of education must approve all charter school applications and budgets.

Peak to Peak Charter Schools, Inc. was formed on May 12, 1998 and began operations as an incorporated school in 2000. The School has been granted 501(c)(3) status by the Internal Revenue Service. The School operates under a charter granted by the Boulder Valley School District RE-2 (the District) Board of Education.

The accompanying financial statements present the School and two nonprofit organizations considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the School's operations. Prairie View, Inc. and Friends of Peak to Peak, Inc. (the Foundation) meet the requirements for blending.

Prairie View, Inc. was established for the purpose of financing and constructing the school facilities and to accumulate resources from the collection of rents from the School to make payments for Prairie View, Inc.'s capital and debt service costs. Prairie View, Inc. does not issue separate financial statements.

The Foundation was established to aid in development of the School and is responsible for raising funds to be used for the expansion of the School and its educational objectives. The Foundation does not issue separate financial statements.

The School is a component unit of the District and is included in the District's Comprehensive Annual Financial Report.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the School. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to students or individuals who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of the related cash flows. Revenue from per pupil operating revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measureable means that the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Charges for services are considered revenue once the service is rendered, and as such are considered susceptible to accrual. All other revenue items are considered to be measureable and available only when cash is received by the government.

When both restricted and unrestricted resources are available for use, it is the School’s policy to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the School are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The major funds presented in the accompanying basic financial statements are as follows:

Major Governmental Funds

General Fund: The General Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required legally or by sound financial management to be accounted for in another fund.

Special Revenue Fund – Prairie View, Inc.: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports a special revenue fund for Prairie View, Inc.

Special Revenue Fund – Friends of Peak to Peak, Inc.: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports one special revenue fund for Friends of Peak to Peak, Inc.

Special Revenue Fund – Operations and Maintenance Fund: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports one special revenue fund for the School's operations and maintenance activities related to a mill levy override as allowed by Colorado House Bill 16-1354 (HB-1354).

Nonmajor Governmental Funds

Special Revenue Fund – Food Services Fund: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted for specified purposes. The School reports one special revenue fund for the School's food services activity.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Cash and Investments

Peak to Peak Charter Schools, Inc.'s investments are reported at fair value except for money market funds which are measured at amortized cost and investments in ColoTrust which are measured at net asset value (NAV).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets purchased by Prairie View, Inc., which include land, buildings, and building improvements, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. An annual capital asset inventory is performed in accordance with state law (Colorado Revised Statute §29-1-506).

All reported capital assets, except for land, are depreciated once placed in service. Depreciation on all assets is provided using the straight-line method over estimated useful lives of 10 to 50 years.

Deferred Outflows of Resources

The School's governmental activities report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. Deferred outflows for the School as of June 30, 2018 consist of deferred losses on debt refundings, deferred outflows related to pension and deferred outflows related to OPEB.

Accrued Salaries and Benefits

Salaries of teachers and certain other employees are paid over a 12-month period ending July 31. However, most salaries are earned over the traditional school year of September through May. The difference between salary and related benefit amounts earned from July 1 through June 30 and the corresponding amounts paid during this period is shown as a liability for accrued salaries and benefits in the amount of $878,812.

Long-Term Debt

Long-term debt is reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Net Pension Liability

The School's governmental activities report a net pension liability as of June 30, 2018. Due to GASB No. 68, the School is required to report its proportionate share of PERA's unfunded pension liability. See Note 8 for additional information.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value. See Note 9 for additional information.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The deferred inflows of resources reported in the governmental activities is due to pension related items and OPEB related items.

Net Position/Fund Balance

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvements of those assets.

In the fund financial statements, fund balance of the School's governmental funds are classified as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable fund balances indicate amounts that cannot be spent either a) due to form; for example, inventories and prepaid amounts or b) due to legal or contractual requirements to be maintained intact. For the General fund and the Food Services fund, nonspendable resources reported are $7,808 and $2,004, respectively.

Restricted fund balances in the School's general fund and special revenue fund – operations and maintenance indicate amounts constrained for specific purpose by external parties, constitutional provision, or enabling legislation. Restrictions on these fund balances are described in Note 7. Restrictions for the Friends of Peak to Peak, Inc. fund balance are described in Note 2. Restrictions for Prairie View, Inc., are described in Note 7.

Committed fund balances indicate amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require an ordinance by the School's board to remove or change the constraints placed on the resources. This action must occur prior to year-end; however, the amount can be determined in the subsequent period. Friends of Peak to Peak, Inc. has a committed fund balance of $44,281 for scholarships.

Assigned fund balances indicate amounts for governmental funds, other than the general fund, any remaining positive amounts not classified in the above categories. For the general fund, amounts constrained for the intent to be used for a specific purpose has been delegated to the Business Manager. For the Friends of Peak to Peak, Inc. fund and Food Services fund, the remaining positive amounts not classified in the above categories are considered assigned, which are $45,218 and $23,194, respectively.

Unassigned fund balances indicate amounts in the general fund that are not classified as nonspendable, restricted, committed, or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

The School will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned fund balance.

NOTE 2 CASH AND INVESTMENTS

Cash Deposits

Colorado statutes govern the School's deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2018, the School's carrying amount of deposits was $2,304,260.

Investments

Colorado statutes specify in which investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Colorado revised statutes, generally limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of U.S. local governments, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

At June 30, 2018, unrestricted investments in the General Fund totaled $2,926,716 and is invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+.

Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. Government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAm by Standard & Poor's and is measured at NAV. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Friends of Peak to Peak, Inc.'s investments consisted of a restricted endowment for $1,356,068 held with the Community First Foundation, which does not have a credit rating and $10,128 held in restricted bond and money market funds that do not have a credit rating and are valued at amortized cost.

The bonds require Prairie View, Inc. to maintain certain investment reserve accounts. These accounts are held by a trustee. Monthly rent payments from the School (see Note 5) are deposited in the accounts and the semi-annual bond payments are made from the accounts. At June 30, 2018, $1,032,717 is held in reserved accounts required by the bond agreements, which is to be used for payment of principal and interest on the bonds. These funds as of June 30, 2018 were invested in the following:

Investment	Maturity Less Than One Year	Maturity 1 - 5 Years	Maturity 6-10 Years	Standard & Poor's Rating	Total	Concentration
First American Government Obligations Fund Class D	$ 1,032,717	$ -	$ -	AAAm	$ 1,032,717	100.0%
Total	$ 1,032,717	$ -	$ -		$ 1,032,717	100.0%

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

In addition, $1,430,758 is held in a reserve account and $251,425 is held in a repair and replacement account required by the bond agreements, which are invested in an external investment pool, the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is a trust established by local Colorado government entities in 1988. Purchases and redemption are available daily at a NAV of $1.00. Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. CSAFE is rated AAAm by Standard and Poor’s and is valued at amortized cost.

Credit Risk

State law does not limit investment to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligation, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years.

Investments in these funds require that the institutions have assets in excess of $1 billion or the highest credit rating from one or more of a nationally recognized rating agency.

Interest Rate Risk

The Trustee is required to maintain liquidity of the investment funds held so as to meet cash requirements of the principal and interest requirements of the bonds on a semiannual basis. The money market funds held in investments have maturities of less than one year.

Fair Value Measurements

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School has the following recurring fair value measurements as of June 30, 2018:

- Endowment held within the Community First Foundation is valued based on unobservable inputs including information from owner-to-owner transactions and the Foundation’s own assumptions (Level 3). As of June 30, 2018, Peak to Peak Charter School has a total of $1,356,068 within Level 3 investments.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
Capital Assets, Not Depreciated:					
Land	$ 1,657,966	$ 771,228	$ -	$ -	$ 2,429,194
Capital Assets, Being Depreciated:					
Land Improvements	3,460,659	125,152	-	-	3,585,811
Buildings and Building Improvements	28,139,108	313,227	-	-	28,452,335
Equipment	391,634	22,625	-	-	414,259
Total Capital Assets, Being Depreciated	31,991,401	461,004	-	-	32,452,405
Accumulated Depreciation:					
Land Improvements	(1,371,443)	(168,925)	-	-	(1,540,368)
Buildings and Building Improvements	(5,773,624)	(557,616)	-	-	(6,331,240)
Equipment	(179,578)	(40,859)	-	-	(220,437)
Total Accumulated Depreciation	(7,324,645)	(767,400)	-	-	(8,092,045)
Total Capital Assets, Being Depreciated, Net	24,666,756	(306,396)	-	-	24,360,360
Total Capital Assets	$ 26,324,722	$ 464,832	$ -	$ -	$ 26,789,554

Total depreciation expense of $767,400 was charged to the instructional ($534,895) and general administration ($232,505) functions of the School for the year ended June 30, 2018.

NOTE 4 BONDS PAYABLE

On July 15, 2014, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $17,880,000 Charter School Refunding Revenue Bonds, Series 2014. Proceeds were used to refund the outstanding Series 2004 Charter School Revenue and Refunding Bonds. Interest accrues at rates ranging from 2% to 5% per annum, and is payable semi-annually on August 15 and February 15. Principal payments are due annually on August 15, through 2034.

Prairie View, Inc. has granted the Authority a mortgage lien on the real estate and a security interest in the lease revenues from the School. The Authority's rights under the agreement have been assigned to the Trustee.

The lease revenues which are the basis of the pledged revenues are described in Note 5. The lease revenue over the term of the agreement is equal to the expected principal and interest payments to be made over the life of the bonds, approximately $26,600,000. One hundred percent of lease revenues have been pledged under the agreement. Lease revenue was approximately equal to the debt service requirements of the bond for the year ended June 30, 2018, approximately $1,418,000.

NOTE 4 BONDS PAYABLE (CONTINUED)

Bonds payable consisted of the following at June 30, 2018:

Charter School Refunding Revenue Bonds dated July 15, 2014, due in annual installments ranging from $470,000 to $1,350,000 through August 2034; interest (rate ranging from 2.00% to 5.00%) payable semi-annually on August 15 and February 15. Revenue from the rental of the building (Note 5) has been pledged to pay principal and interest.	$ 16,150,000
Plus: Bond Premium	1,023,356
Subtotal	17,173,356
Less: Current Portion	(655,000)
Total	$ 16,518,356

Changes in bonds payable for the year ended June 30, 2018 were as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Bonds Payable - Series 2014	$ 16,790,000	$ -	$ (640,000)	$ 16,150,000	$ 655,000
Premium - Series 2014	1,087,316	-	(63,960)	1,023,356	-
Compensated Absences	74,195	147,598	(146,346)	75,447	2,778
Total	$ 17,951,511	$ 147,598	$ (850,306)	$ 17,248,803	$ 657,778

The following schedule represents the School's debt service requirements to maturity for outstanding revenue bonds at June 30, 2018:

Year Ending June 30,	Principal	Interest	Total
2019	$ 655,000	$ 750,600	$ 1,405,600
2020	680,000	724,150	1,404,150
2021	710,000	696,350	1,406,350
2022	740,000	667,350	1,407,350
2023	770,000	637,150	1,407,150
2024-2028	4,375,000	2,618,125	6,993,125
2029-2033	5,580,000	1,384,500	6,964,500
2034-2035	2,640,000	133,500	2,773,500
Total	$ 16,150,000	$ 7,611,725	$ 23,761,725

NOTE 5 LEASES

The School leases its building from Prairie View, Inc. The lease requires monthly payments, which approximate Prairie View, Inc.'s required payments on the bonds (see Note 4) and may be terminated in any year by nonappropriation of funds. Prairie View, Inc. has pledged the lease payments to pay bond principal and interest.

Rent expense was $1,417,633 for the year ended June 30, 2018, and is included in support services expenditures.

NOTE 5 LEASES (CONTINUED)

The lease between the School (lessee) and Prairie View, Inc. (lessor) includes certain restrictive covenants related to expenditures and unrestricted cash balances. The School believes it is in compliance with the covenants.

NOTE 6 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The School carries commercial insurance for these and other risks of loss. Settled claims have not exceeded this coverage in the past three years.

NOTE 7 RESTRICTION OF NET POSITION / FUND BALANCE

On November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR limits the ability of the state and local governments such as the School to increase revenues, debt, and spending and restricts property, income and other taxes. In addition, the amendment requires government entities to create an emergency "reserve" of 3% of annual spending excluding bonded debt service. At June 30, 2018, management believes the School has complied with the requirements to include emergency reserves in its budgetary basis fund balance in the amount of $524,030.

Prairie View, Inc. is required to hold funds in escrow accounts related to its bond obligations as identified in Note 2, fund balance is restricted attributable to the restrictions on its cash and investments in the amount of $2,714,900.

$8,016 of the special revenue fund – operations and maintenance fund balance has been restricted for the School's operations and maintenance activities related to a mill levy override as required by HB-1354.

NOTE 8 DEFINED BENEFIT PENSION PLAN

The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications to the Public

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and June 30, 2018.

General Information about the Pension Plan

Plan Description: Eligible employees of the School are provided with pensions through the School Division Trust Fund (SCHDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S), administrative rules are set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code (IRC). Colorado state law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided: PERA provides retirement, disability, and survivor benefits. Retirements are determined by the amount of service credit earned and/or purchases, highest average salary, the benefit structure under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. §24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.

- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions: Eligible employees of the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute 8% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31,	
	2017	2018
Employer Contribution Rate*	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f)*	(1.02)	(1.02)
Amount Apportioned to the SCHDTF*	9.13	9.13
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411*	4.50	4.50
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411*	5.00	5.50
Total Employer Contribution Rate to the SCHDTF*	18.63%	19.13%

[1] Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF for the School for the year ended June 30, 2018 were $1,465,859.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the School reported a liability of $52,210,331 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the School's proportion was 0.16146%, which was an increase of 0.00454% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized pension expense of $10,074,131 At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 959,928	$ -
Changes of Assumptions or Other Inputs	13,331,237	84,597
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,050,349
Change in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	894,886	-
Contributions Subsequent to the Measurement Date	748,448	-
Total	$ 15,934,499	$ 2,134,946

$748,448 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	$ 8,700,455
2020	4,976,098
2021	145,902
2022	(771,350)
Total	$ 13,051,105

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions: The December 31, 2016 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 – 9.70%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount Rate	5.26%
Future Post-Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to 1/1/07; and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure Hired After 12/31/06 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

[1] The discount rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 4.78% as described below.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93% factor applied to rates for ages less than 80, a 113% factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20 %	4.30 %
U.S. Equity - Small Cap	7.42	4.80
Non U.S. Equity - Developed	18.55	5.20
Non U.S. Equity - Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Bonds	0.46	3.90
CoreReal Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
Total	100.00 %	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount Rate: The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Employee contributions were assumed to be made at the member contribution rate as of the measurement date. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the single equivalent interest rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the GASB Statement No. 67 projection test indicates the SCHDTF’s fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of December published at the end of each week by The Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25% and the municipal bond index rate of 3.86% were used in the discount rate determination resulting in a discount rate of 5.26%.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (3.78%) or one percentage-point higher (5.78%) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate Share of the Net Pension Liability	$ 65,950,528	$ 52,210,331	$ 41,013,640

Pension Plan Fiduciary Net Position: Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report, which can be obtained at www.copera.org/investments/pera-financial-reports.

Changes between the measurement date of the net pension liability and June 30, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability the Division Trust Funds and thereby reach a 100% funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25% on July 1, 2019.
- Increases employee contribution rates by a total of 2% (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the School reported a liability of $52,210,331 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the School's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience, and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB-18-200 (pro forma)	Estimated Collective Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	23,588,175

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate the collective net pension liability, approximately $24,372,109 of the estimated reduction is attributable to the use of a 7.25% discount rate

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

Plan Description

Eligible employees of the School are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

General Information about the OPEB Plan (Continued)

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four divisions (State Division, School Division, Local Government Division and Judicial Division Trust Funds), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Eligibility to enroll in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses and guardians. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

General Information about the OPEB Plan (Continued)

Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were $79,185 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School reported a liability of $1,189,758 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the School's proportion was 0.09155% which was an increase of 0.00235% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of $22,094. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 5,627	$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	19,904
Change in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	25,497	-
Contributions Subsequent to the Measurement Date	39,907	-
Total	$ 71,031	$ 19,904

$39,907 reported as deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ending June 30, 2019.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2019	$ 1,138
2020	1,138
2021	1,138
2022	1,140
2023	6,115
Thereafter	551
Total	$ 11,220

Actuarial Assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50% in the aggregate
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount Rate	7.25%
Health Care Cost Trend Rates	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	5.00%
Medicare Part A Premiums	3.00% for 2017, gradually rising to 4.25% in 2023

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Meidcare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93% factor applied to rates for ages less than 80, a 113% factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four of five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20 %	4.30 %
U.S. Equity - Small Cap	7.42	4.80
Non U.S. Equity - Developed	18.55	5.20
Non U.S. Equity - Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Bonds	0.46	3.90
CoreReal Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
Total	100.00 %	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Proportionate Share of the Net OPEB Liability	$ 1,157,023	$ 1,189,758	$ 1,229,185

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Discount Rate (Continued)

Based on the above assumptions and methods, the HCTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	$ 1,337,662	$ 1,189,758	$ 1,063,518

OPEB plan fiduciary net position

Detailed information about the HCTF plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by PERA. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 10 RESTATEMENT OF NET POSITION

For the year ended June 30, 2018, the School adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB no. 75), which is effective for financial statements beginning after June 15, 2017. GASB No. 75 revises and establishes new financial reporting requirements for most governments that provide postemployment benefits other than pensions (OPEB). GASB No. 75 requires cost-sharing employers participating in the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) to record their proportionate share, as defined in GASB No. 75, of the HCTF's net OPEB liability.

For the School, the effect of implementing this standard was to change how it accounts and reports the net OPEB liability. Implementation of the standard resulted in a restatement of the prior period net position as shown below.

Net Position, June 30, 2017, as Previously Reported	$ (8,761,612)
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	(1,118,982)
Net Position, June 30, 2017, as Restated	$ (9,880,594)

NOTE 11 INTERFUND TRANSFERS

During the year ended June 30, 2018, $372,223 was transferred to the School's general fund from the Friends of Peak to Peak, Inc. special revenue fund related to donated funds raised by Friends of Peak to Peak, Inc. for the School's operating expenditures. In addition, during the year ended June 30, 2018, the School's general fund transferred $21,377 related to the subsidization of the food services fund's operations.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Per Pupil Revenue	$ 10,735,194	$ 10,694,076	$ 10,712,866	$ 18,790
District Mill Levy	3,358,189	3,366,059	3,366,052	(7)
Intergovernmental:				
State Sources	688,976	704,540	706,028	1,488
Other Income	1,157,338	1,127,910	1,375,328	247,418
Investment Income	20,000	20,000	48,200	28,200
Total Revenues	15,959,697	15,912,585	16,208,474	295,889
EXPENDITURES				
Current:				
Instruction	9,187,628	9,176,303	9,253,424	(77,121)
Support Services:				
General Administration	4,149,448	4,148,795	4,116,939	31,856
Rent Expense	1,438,933	1,438,933	1,417,633	21,300
Facilities and Maintenance	941,787	773,318	546,920	226,398
Other Supporting Services	372,897	340,272	333,051	7,221
Capital Outlay	209,400	837,900	778,144	59,756
Total Expenditures	16,300,093	16,715,521	16,446,111	269,410
OTHER FINANCING SOURCES (USES)				
Transfers In	373,084	373,084	372,223	(861)
Transfers Out	(11,784)	(23,733)	(21,377)	2,356
Total Other Financing Sources (Uses)	361,300	349,351	350,846	1,495
NET CHANGE IN FUND BALANCE	20,904	(453,585)	113,209	566,794
Fund Balance - Beginning of Year	3,951,373	3,951,373	3,951,373	-
FUND BALANCE - END OF YEAR	$ 3,972,277	$ 3,497,788	$ 4,064,582	$ 566,794

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – FRIENDS OF PEAK TO PEAK, INC.
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Donations	$ 605,500	$ 605,500	$ 482,619	$ (122,881)
Investment Income	24,724	24,724	80,437	55,713
Total Revenues	630,224	630,224	563,056	(67,168)
EXPENDITURES				
Other Supporting Services	193,753	193,753	165,050	28,703
OTHER FINANCING SOURCES (USES)				
Transfers Out	(373,084)	(373,084)	(372,223)	861
NET CHANGE IN FUND BALANCE	63,387	63,387	25,783	(37,604)
Fund Balance - Beginning of Year	1,429,912	1,429,912	1,429,912	-
FUND BALANCE - END OF YEAR	$ 1,493,299	$ 1,493,299	$ 1,455,695	$ (37,604)

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – OPERATIONS AND MAINTENANCE FUND
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
District Mill Levy	$ 701,513	$ 838,425	$ 838,429	$ 4
EXPENDITURES				
Maintenance and Operations	365,290	535,639	592,092	(56,453)
Capital Outlay	311,299	513,209	454,088	59,121
Total Expenditures	676,589	1,048,848	1,046,180	2,668
NET CHANGE IN FUND BALANCE	24,924	(210,423)	(207,751)	2,672
Fund Balance - Beginning of Year	237,025	237,025	237,025	-
FUND BALANCE - END OF YEAR	$ 261,949	$ 26,602	$ 29,274	$ 2,672

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS*

	2017	2016	2015	2014	2013
School's Proportion (Percentage) of the Collective Net Pension Liability (Asset)	0.1614597074%	0.1569197711%	0.1538213382%	0.1493013359%	0.1544626795%
School's Proportionate Share of the Collective Pension Liability (Asset)	52,210,331	46,721,084	23,525,888	20,235,346	19,701,673
Covered Payroll	7,523,556	7,042,730	7,196,937	6,715,234	6,491,195
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	693.96%	663.39%	326.89%	301.33%	303.51%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	43.96%	43.10%	59.20%	62.80%	64.06%

*The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2013 was not available.

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
LAST TEN FISCAL YEARS*

As of June 30,	2018	2017	2016	2015	2014
Statutorily Required Contributions	$ 1,465,859	$ 1,343,137	$ 1,223,456	$ 1,070,807	$ 1,018,001
Contributions in Relation to the Statutorily Required Contribution	1,465,859	1,343,137	1,223,456	1,070,807	1,018,001
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	7,763,266	7,294,252	6,872,086	6,390,053	6,199,888
Contribution as a Percentage of Covered Payroll	18.88%	18.41%	17.80%	16.76%	16.42%

*The amounts presented for each fiscal year were determined as of June 30. Information earlier than 2014 was not available.

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TEN FISCAL YEARS*

	2017	2016
School's Proportion (Percentage) of the Collective Net OPEB Liability (Asset)	0.0915479910%	0.0891950744%
School's Proportionate Share of the Collective OPEB Liability (Asset)	1,189,758	1,156,444
Covered Payroll	7,523,556	7,042,730
School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	15.81%	16.42%
Plan Fiduciary Net OPEB as a Percentage of the Total OPEB Liability	17.53%	16.72%

*The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2016 was not available.

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS
LAST TEN FISCAL YEARS*

As of June 30,	2018	2017	2016	2015	2014
Statutorily Required Contributions	$ 79,185	$ 74,401	$ 70,180	$ 65,178	$ 63,238
Contributions in Relation to the Statutorily Required Contribution	79,185	74,401	70,180	65,178	63,238
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	7,763,266	7,294,252	6,872,086	6,390,053	6,199,888
Contribution as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%

*The amounts presented for each fiscal year were determined as of June 30. Information earlier than 2014 was not available.

See accompanying Note to Required Supplementary Information.

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The School conducts all necessary budgeting procedures maintaining separate budgets for each fund.

The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

a) Budgets for all funds are required by the District. During June, the proposed budget is submitted to the Board for consideration and approval at a public hearing. The budget includes proposed expenditures and the means of financing them.

b) The Public hearings are conducted by the School's Board of Directors to allow parents and other members of the public comment and recommendations.

c) Prior to June 30, the budget is adopted by formal resolution.

d) The School's contract with the District requires submission of the approval and amended budgets to the District.

e) Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between funds, reallocation of budget line items and revisions that alter the total appropriations of any fund must be approved by the School's Board of Directors. Appropriations are based on total funds expected to be available in each budget year, which may include beginning fund balances and reserves as established by the Board of Directors.

f) Budgets for all fund types are adopted on a basis consistent with GAAP.

g) Budgeted amounts reported in the accompanying supplemental information are as originally adopted and as amended by the Board of Directors throughout the year. Budgeted amounts included in the financial statements are based on the final budget as adopted by the School's Board of Directors after the October 1, 2017 student count day.

h) There was no legally adopted budget for Prairie View, Inc.

i) All appropriations lapse at the end of each fiscal year.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – FOOD SERVICES FUND
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Food Service	$ 514,250	$ 529,250	$ 531,300	$ 2,050
EXPENDITURES				
General Administration	526,034	552,983	552,678	305
OTHER FINANCING SOURCES (USES)				
Transfers In	11,784	23,733	21,377	(2,356)
NET CHANGE IN FUND BALANCE	-	-	(1)	(1)
Fund Balance - Beginning of Year	25,199	25,199	25,199	-
FUND BALANCE - END OF YEAR	$ 25,199	$ 25,199	$ 25,198	$ (1)